

## **Completing the picture: How beneficiaries obtain coverage beyond the Medicare benefit package**

**ISSUE:** Over 90 percent of Medicare beneficiaries obtain additional coverage by either supplementing the fee-for-service benefit package or replacing it with a managed care plan. An evaluation of the benefit package must take into account existing sources of additional coverage, the effect that coverage has on use of services, and ways in which changes to the benefit package might affect or be affected by these sources of additional coverage.

**KEY POINTS:** Beneficiaries obtain additional coverage by obtaining a supplement to the fee-for-service benefit package through an employer-sponsored plan, individually-purchased plan (medigap), or the Medicaid program; or replacing the fee-for-service benefit package with a Medicare managed care plan.

Given the current benefit structure, additional coverage provides important financial protection for beneficiaries. However, access to sources of additional coverage is not universal, and the distribution of coverage varies by income, residence, health status, and age.

At the same time, very generous supplemental coverage may increase beneficiary premiums, employer premiums, and program costs unnecessarily by taking away the incentives for judicious use of services inherent Medicare's cost-sharing structure.

In the future, beneficiaries may be less able to obtain additional coverage, either through leaving the traditional program for Medicare managed care or by obtaining employer-sponsored insurance. Beneficiaries may face access problems if the current sources of additional coverage are diminished and not replaced by other sources.

Any changes to the benefit package must take into account the interactions between the program's benefits and those offered by sources of additional coverage.

**ACTION:** No recommendations are anticipated at this time. Staff would appreciate feedback on this draft chapter. Comments should focus on tone and content, including missing issues.

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